The Transportation Sector in Alberta: Present Position and Future Outlook

- An Update -

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Prepared for:

ALBERTA
ECONOMIC DEVELOPMENT AUTHORITY

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1. Introduction

In 2003, the Alberta Economic Development Authority commissioned PROLOG Canada and the Van Horne Institute to conduct a study that examined the transportation system in Alberta, with particular emphasis on the goods movement sector. The twofold objective of that study was to (1) Demonstrate the importance of the transportation and logistics sector to the Alberta economy; and (2) Analyze future Alberta trends as a basis for determining what actions are required from government and industry with respect to infrastructure, carrier services and prevailing regulation.

The report included a number of transportation-related action items to be acted upon by government and industry in support of a growing Alberta value-added economy over the ensuing decade.

The purpose of this report, also prepared by PROLOG Canada and the Van Horne, is to up-date key statistics and re-examine the action items in terms of developments and stakeholder responses that have occurred since the original report was completed.

2. The Importance of Transportation

The importance of transportation to the overall prosperity of society has long been recognized. However, there is a tendency to take for granted the critical role of this important sector.

The trend toward globalization is changing our economy and the way we conduct business. Alberta's economic strength and overall prosperity is increasingly reliant on our ability to compete on the world stage. Whether as a shipper of commodities or as a source of value-added goods and services, our effective participation in the international arena is vital to our success.

Remaining competitive in international markets is key to maintaining and enhancing Alberta's standard of living. Much of the province's Gross Domestic Product is dependent on international exports and Alberta is increasingly competing with other provinces and other countries in this regard.

Transportation supports tourism, provides access to domestic and export markets and is the basic circulatory system of economic exchange. It is the one system that virtually all Albertans utilize and rely on daily.

It is with this in mind that this report re-examines and up-dates the actions that are required to ensure that the Alberta transportation system continues to keep pace with a growing and diversifying value-added economy.

3. Key Findings

On the importance of Transportation to Alberta's Economy...

- Truck, Rail, and Air move about 40% of our $73 Billion worth of international exports to market (2004).

- Transportation and Warehousing is the 5th largest sector in Alberta's economy, with a 2003 GDP of $8.4 Billion.

- It employs directly over 98,500 employees, who collectively earn over $3.7 Billion in salaries annually.

- In the 1998-2003 period, this sector's GDP increased over 22%, employment increased 17% and similar increases were realized in the value and volume of goods carried – figures well above the Canadian averages for this sector.

- As an example of this sector's importance, Calgary's Transportation and Logistics sector is on the verge of displacing Oil and Gas as the city's top employment sector.

- Official statistics do not accurately capture the total spectrum of transportation activity and its importance to our economy - up to 50% underestimation related to private trucking or in-house services, for example.

On Future Growth in Value-added...

- Our economic forecasting to 2010 (percent change from 2000 base in brackets) identifies manufacturing (40%), construction (54%) and accommodation and food services (32%) among the top growth sectors.

- Within the manufacturing sub-sectors, chemicals (87%), fabricated and primary metals (77%), and food (25%) make up half of total manufacturing output.

- The highest forecasted growth in Alberta is predicted for the computer and electronics sector, at 205%.

- Related to manufacturing, the predicted growth in transportation output (tonnes) is highest for trucking and air, followed by rail.

On Transportation requirements to meet Growth in Value-added...

- Infrastructure needs in the major urban centres, which are the focal points for value-added activity and goods distribution, are a top priority – ring road developments are welcome but may not be a complete solution to congestion related issues.

- Ensuring our trade corridors, regional linkages and ports have the capacity and characteristics to not only support but promote economic activity.

- Funding for infrastructure needs to be increased, stabilized and alternative financing options explored – such as public/private partnerships (P3's).

- Alberta needs to continue to lead in adopting policies and regulations that foster our competitive edge – the use of long-combination trucks, for example.
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- The move toward intermodalism and containerization is changing the face of transportation and is essential to a value-added future.

- Labour shortages are a current issue that is projected to become even more of a challenge – transportation needs qualified and skilled labour to meet forecasted growth and maintain our competitive advantage.

4. Action Items Up-date

This section re-states the action items identified in the January 2004 report and, where necessary, makes changes to reflect developments and stakeholder responses that have occurred since that report was completed.

The action items identify a call-to-action under a number of transportation-related headings, including *road and highway funding, warehousing and logistics, West Coast port capacity, rail infrastructure investment, government regulation, international air service, education and training, aviation taxes, tourism promotion and funding, air cargo development, air service at smaller communities and image-building for the transportation sector.*

General

Many stakeholders have expressed the view that transportation needs a higher public profile in order to bring attention to a range of issues.

In response to this need the Alberta Government, in partnership with the Alberta Economic Development Authority, developed a brochure promoting opportunities for careers in Alberta's transportation sector. The brochures were distributed in all Alberta high schools and post-secondary institutions to encourage more young people to pursue a career in transportation. Check-lists have also been developed by Alberta Infrastructure and Transportation as planning tools to identify the transportation requirements of any given service program.

Annually, the federal government develops an analysis of transportation in Canada with a chapter that focuses on the importance of transportation to the Canadian economy. Organizations like the Van Horne Institute and WESTAC have produced a study on the importance of transportation in Canada.

While these are positive steps, there is still much to be done by industry and government to raise the public consciousness about the importance of transportation in the everyday lives of Albertans and Canadians. The Transportation Awareness Partnership was launched in 2003 and the Alberta Government played a supportive role in its creation. However, the initiative has not progressed to the extent anticipated due to a lack of funding and a lack of participation by key stakeholders.

Action Item:

- Stakeholders in transportation, whether industry, government or academia, work collectively and consistently to raise the profile of transportation.

In 2003, the Government of Canada released a document entitled 'Straight Ahead: A Vision for Transportation in Canada'. That document discussed the need for expanded collection and dissemination of transportation data.

Both the CTA Review Panel and the Independent Transition Observer on Airline Restructuring recommended that government improve information available for policy analysis by industry, government and the concerned public. Accordingly, the federal government proposed to amend the Canada Transportation Act provisions on data collection to ensure the availability of consistent, useful information on the various elements of the transportation system.

This policy statement, which was later translated into legislation, died on the order paper. More recently, the federal government introduced Bill C-44 to amend the Canada Transportation Act. However, the bill did not contain any amendments relating to data collection. As a result, Canada and Alberta are falling behind our major trading partner in the collection of accurate and timely transportation data.

By comparison, the U.S. Department of Transportation announced in February 2004 that they had developed a Transportation Services Index (TSI) as a new economic indicator intended to measure the performance of the economy as reflected in the movement of freight and passengers. The TSI will use monthly data on freight movements and passenger travel in the for-hire transportation sector. Analysts from the Department's Bureau of Transportation Statistics will weight and seasonally adjust the data to allow for monthly and year-to-year comparisons. The measurements in the TSI will include for-hire trucking and parcel services, rail freight services, inland waterway traffic, pipeline shipments and air freight. The passenger transportation measures will embrace local transit and inter-city rail and air transport.

Action Item:

- The Alberta Government increase its efforts to work with industry, other levels of government and other governments in ensuring that more accurate and timely data, reflecting the true contribution of the transportation sector, is collected on an ongoing and timely basis and is used to enhance our understanding of the transportation system and its needs.

Alberta Infrastructure and Transportation receives input on an ongoing basis from municipalities regarding transportation infrastructure needs. Formal meetings are held at least annually. The department has organized a shippers' forum to gather input on issues impacting all modes of transportation. Meetings with other transportation stakeholders are generally conducted on an ad hoc basis. The department indicates that it welcomes input from industry and is prepared to meet and discuss specific concerns. The Alberta Motor Transport Association (AMTA) now meets with government departments several times each year and reports positive responses.

In meetings and discussions with multiple stakeholders, the observation was made that consultation with the citizens of Alberta continues to grow in importance, particularly as the economy develops towards greater value-added. The issue of infrastructure funding for both renewal and new development has been raised constantly in the past. Differing priorities for infrastructure funding were expressed. It was recognized that funding for infrastructure in Alberta is not infinite and that priorities expressed by stakeholders are not consistently agreed to.

While Alberta Infrastructure and Transportation has taken positive steps forward, the following action item is a work in progress. Strategic infrastructure investment is key to Alberta's economic development. The Province will benefit from meeting with and receiving input from transportation stakeholders from all modes and municipalities.

Action Item:

- In determining future funding allocations for Alberta's transportation infrastructure, Alberta Infrastructure and Transportation will hold regular annual meetings jointly with transportation stakeholders from all modes and municipalities. At these meetings,

transportation stakeholders will have an opportunity to identify strategic opportunities, infrastructure needs, and funding proposals and provide comments to Alberta Infrastructure and Transportation. The Province, on the basis of these discussions and their own internal review, will determine the allocation of funds for transportation infrastructure investment.

Infrastructure

Road Infrastructure

Alberta's future value-added economy and its mobile society will be even more dependent on an efficient and safe road system. There are concerns about the long-term health of our highway system and the level of congestion in our major cities. As value-added sectors expand, the demands on the road system are going to increase and current pressure points will become even more of an issue.

While Alberta Infrastructure and Transportation holds annual meetings with the municipalities, it also now encourages ad hoc meetings with the private sector and the transportation industry to discuss specific concerns as issues arise.

Alberta Infrastructure and Transportation recently held conferences with major industry associations in which investment strategies and spending priorities were discussed.

Action Item:

- Alberta Infrastructure and Transportation continue to work with the municipalities, regional economic development agencies and industry representatives in expanding its joint monitoring and planning programs, including the setting of investment and road rehabilitation priorities. Focus should increasingly be on key roads connecting Alberta's economic regions and facilitating access to export markets.

A major challenge relates to the need for increased and more stable funding for our transportation infrastructure. To this end the Western Provincial Transportation Ministers Council has encouraged the federal government to allocate a much larger share of its fuel tax revenue to transportation infrastructure investments.

The Alberta Government also recently announced a one-time $3.0 billion infrastructure capital spending program for Alberta's municipalities, including $1.0 billion each for Calgary and Edmonton.

Despite government financial commitments, Alberta Infrastructure and Transportation estimates that the percentage of provincial highways in poor condition will increase from 11.2 percent in 2004 to 18.5 percent in 2008.

Action Items:

- The Alberta Government continue to support and develop stabilized infrastructure funding, including consideration of a long-term highway and municipal road investment policy.

- The transportation industry support the vigorous pursuit of new and innovative financing mechanisms including P3 partnerships, Provincially-backed bond issues

with attractive tax incentives and royalty credit mechanisms for resource companies in exchange for their direct funding of highway links to their projects.

Rail and Intermodal

Explosive economic growth in Asia has created unprecedented import traffic with corresponding port and rail container congestion; and is dramatically driving up resource prices and bulk commodity exports from Canada.

- **Container Congestion:** West Coast ports and connecting railways have become bottlenecks for Asian import container traffic. The Port of Vancouver has advanced comprehensive plans for over $1.0 billion of investment to increase container capacity from 1.5 million to over 4.0 million TEUs (twenty foot equivalent units) and CP Rail has announced a $160 million western track capacity expansion program. Over $3.5 billion in road improvements have been proposed to, among other things, improve access to the Port of Vancouver, mainly in the immediate Vancouver area but extending back to the Kicking Horse Canyon section of the Trans Canada Highway.

  Despite these plans it is becoming apparent that sustained increases in Asian import traffic will require alternate B.C. port and rail capacity to avoid disrupting the international trade route for Asian imports that currently passes through B.C. and Alberta to Chicago and U.S. Midwest markets.

  Public and private funding of $140 million for the first phase of a $550 million investment in container terminal and access facilities at Prince Rupert has recently been announced by the B.C. Government to ultimately provide capacity of 1.2 million TEUs.

- **Bulk Commodities:** The downward trend in bulk commodity exports was reversed in 2003, with grain, sulphur and especially coal exports growing again. With respect to the resurgence in coal production, Alberta remains primarily a thermal coal producer with some 40 million tonnes converted to power generation within the province. However, from negligible export coal volumes in 2003, Luscar Energy Partnership is anticipating 2 million tonnes of thermal coal for export in 2005; Grande Cache Coal Corporation started operations in 2004 and is projecting 2 million tonnes per year of metallurgical coal for export; and Cheviot Elk Valley Coal is starting operations that will yield up to 3 million tonnes per year of metallurgical coal for export.

  With Neptune and Westshore Terminals at the Port of Vancouver approaching capacity, the B.C. Government has announced plans to acquire control of Ridley Island Coal Terminal at Prince Rupert to protect coal export expansion.

Over the next ten years in Alberta, value-added and lower value resource shippers will continue to rely on rail to reduce market access costs for both bulk heavy haul and intermodal container transport.

West Coast port capacity should be as much a concern for Alberta's rail access to export markets as it is for British Columbia. According to B.C. port authorities and terminal operators, trans-Pacific container growth through Vancouver is surging and may exceed capacity within 10 years. Limited expansion options at the Port of Vancouver and Fraser Port warrant supplementary addition of container facilities at Prince Rupert. At the same time efficient port access for bulk and break bulk marine trades must be retained.

The B.C. Government is working with the Alberta Government and key stakeholders on the concept of a West Coast port authority.

Action Item:

- The Governments of Alberta and British Columbia continue to jointly work with port authorities, terminal operators, railways and shippers to project the best combination of bulk, break bulk and container facility investments, and how best to finance them.

Air

Although the Alberta Government still has a small pool of capital funding available for non-scheduled airports, it has largely withdrawn from direct airport investment. While some of these airports serve in a medevac or firefighting role, many attract very little activity in relation to their overall cost of operation and maintenance.

A study sponsored by the Alberta Aviation Strategy Action Group identified a requirement for an investment of $97 million to further rehabilitate the province's smaller airports during the current decade. In addition, the ten Canadian provinces participated in a national small airport viability study that concluded that 50 percent of Canada's smaller airports will require external support in order to remain viable.

Alberta Infrastructure and Transportation conducted an inventory of the province's local and regional airports and, in conjunction with Alberta Economic Development, completed the next phase of the work by examining the socio-economic impact of selected Alberta airports.

Action Item:

- The Alberta Government work in conjunction with the federal government, the municipalities and other aviation stakeholders to develop a strategic plan on the future of the province's smaller non-scheduled airports.

The Calgary and Edmonton airports have both identified efficient ground access as being vital to their ongoing growth and development and as a means of facilitating intermodal movements, both locally and regionally. The Alberta Government has recently given ring-road construction a higher priority at both cities, with the immediate focus on those sections that are relatively close to the two major airports. In addition, the federal government has committed $150 million to ring-road construction under the Canada Strategic Infrastructure Fund and a request for further funding has gone forward from the Province.

Action Item:

- Completion of ring-roads at Calgary and Edmonton should continue to be assigned a high priority as a means of facilitating truck, bus and automobile movements that are important to Alberta's major airports and will be increasingly vital to Alberta's growing value-added economy.

Foreign trade zones are not officially recognized in Canada. However, the federal government does offer a program that provides varying degrees of duty-relief on imported goods that is not tied to the creation of a physical site.

While there may not be a regulated requirement for a physical site, there is an attractive opportunity to install facilities at Alberta's major airports that would serve to promote the provinces value-added economy. Aviation Alberta has lent weight to this concept under its Aviation Strategy and Action Plan.

Action Item:

- Create Foreign Trade Zones at Alberta's major airports that would enhance the international profile of these airports, provide awareness of Canada's duty deferral program and create an international showcase for the province's value-added products.

Government Regulation and Policy

Motor Carrier and Bus Issues

A major challenge facing the motor carrier sector is that, despite NAFTA, many regulations facing the industry are still inconsistent between jurisdictions. The industry not only seeks harmonization on vehicle weights and dimensions, for example, but would like to see enforcement applied uniformly. Furthermore, there is an opportunity to enhance Alberta's locational advantage by expanding the use of long-combination vehicles (LCV's) and working with other jurisdictions to encourage their adoption elsewhere. This has important implications for a value-added future where efficient use of equipment and driver resources will be even more critical.

Alberta Infrastructure and Transportation recently completed a review of the provincial highway network and, with input from a committee appointed by the AMTA, established several new routes for LCV traffic, including a number of two-lane highways. The Province also agreed to several other measures that benefited the trucking industry, including increasing the permitted length of LCV's to 38 metres from 35 metres, which allows carriers much greater flexibility in trailer combinations.

Action Item:

- In conjunction with joint planning of future highway capital and preservation investment priorities, continue to broaden the network of highway links permitting LCV traffic.

The trucking industry has expressed continuing frustration with lengthy delays at the U.S. Border related to Customs and security. Some of these concerns have been partially mitigated by the recent implementation of the FAST (Free and Secure Trade) program at the Coutts border crossing. However, during the last six months the U.S. Government has signaled new changes to security procedures at their points of entry, which could cause further delays.

Increased security concerns in the U.S. have also resulted in the consideration of laws that would require hazardous materials to by-pass population centers. This could have a significant effect on routing and the cost of accessing markets in the U.S.

Action Item:

- Monitor changing anti-terrorism provisions in the U.S. and step up planning towards eliminating unreasonable border congestion using established technologies (e.g. Intelligent Transportation Systems, Radio Frequency Interface) to pass information to border points prior to arrival.

Rail and Intermodal

Shortline railways in Alberta are becoming critical corridor infrastructure to complement parallel highways supporting a resurgence in resource development projects and exports. According to the Railway Association of Canada, much of Northern Alberta is now served by shortline operations which require intermodal facility investment as well as track rehabilitation and bridge upgrades to accommodate the new transcontinental standard of 286,000 pounds weight-on-rail for more economical heavy loading railcars.

Transportation stakeholders in Northern Alberta have indicated that without this investment, the market competitiveness of Northern Alberta shippers is constrained as they must load railcars lighter or incur higher cost trucking to reach rail reload facilities or intermodal terminals on the transcontinental mainlines. The $4.0 billion Strategic Infrastructure Fund provides the opportunity for federal participation with the Province and shortline railways in public/private partnerships to upgrade regional rail corridors in Alberta:

- **Northern Alberta Corridor:** Mackenzie Northern Railway, extending from the Edmonton area into the Northwest Territories, parallel to Highways 2 and 35 (the Mackenzie Highway), has become a vital fuel supply line for diamond mine development and operations. Current rail traffic levels will more than double over the next 10 years based on fuel supply alone. The addition of potential outbound concentrates from new base metal mines and the influx of pipeline construction traffic with the impending Mackenzie Gas Project will push traffic up even further.

  North of High Level, Alberta shippers' ability to connect summer barge operations at Hay River with heavy loading rail cars is constrained by a 220,000-pound weight on rail restriction. South of High Level, Alberta exporters' ability to move heavy loading forest products is constrained by a 263,000-pound weight on rail restriction.

- **Northeast Alberta Corridor:** Athabasca Northern/Lakeland and Waterways Railway, extending from the Edmonton area to Fort McMurray, parallel to Highway 63, provides bulk export transportation for molten sulphur and petroleum coke from the Athabasca Oil Sands as well as regional log hauling and an alternative to congested highway movement of many, large production modules. Oil price escalation has advanced an ever-increasing number of planned multi-billion dollar projects to accelerate production from the oil sands beyond two million barrels a day within 10 years and more than double that within 20 years - with corresponding concerns for supporting rail and highway infrastructure capacity.

  In December 2004, the Alberta Economic Development Authority completed a major study, which identified stakeholder concerns about the need for transportation improvements between Edmonton and Fort McMurray.[1] Such infrastructure investment is viewed as essential since it will facilitate the development of Alberta's resources and, in turn, provide a substantial return to the citizens of the province.

  The Alberta Government has participated with private sector stakeholders to fund a feasibility study of public/private partnership financing for comprehensive heavy rail and/or road infrastructure improvements and extensions in this corridor.

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[1] Alberta Economic Development Authority, 'Mega Project Excellence: Preparing for Alberta's Legacy - An Action Plan', December 10, 2004.

- **Northwest Alberta Corridor:** Alberta RailNet, extending from a CN connection at Hinton to the Edmonton Area, and paralleling the Highway 43 connection to the Alaska Highway at Dawson Creek, is becoming a strategic Peace Region link in the Port of Prince Rupert/North West Trade Corridor; and potentially for an Alaska Rail link in conjunction with Alaska Gas Pipeline construction.

  In addition to funding for Prince Rupert port expansion, the B.C. Government has negotiated the May 2005 re-opening of the Hythe-Dawson Creek rail line. This will effectively integrate Alberta RailNet with northern BC Rail operations (now transferred to CN) and improve the operational context for Alberta investment in Peace Region intermodal facilities.

The Railway Association of Canada is proposing public/private partnerships in which railways and governments share funding for strategic regional railway infrastructure investment. Reflecting a vastly differing ownership, cost and competitive model from trucking, private railway infrastructure funding with public participation has not been supported by Provincial transportation policy. The Province is currently in discussions on this issue but, to-date, no financial commitments have been made.

Action Item:

- All levels of government continue working together to investigate the feasibility of the proposals put forward by the Railway Association of Canada regarding infrastructure investment for shortline railways.

Air

The liberalization of Canada's international air service agreements is fundamental to the ongoing growth and development of Alberta's value-added economy. Present agreements contain provisions that hamper the ability of passenger and cargo carriers to provide capacity and operate in a way that adequately responds to the needs of the Alberta market.

The Alberta Government continues to take official positions that advocate for more liberal air service agreements between Canada and other countries, whether under the existing bilateral regime or within the provisions of the General Agreement on Trade in Services (GATS). It also supports direct representation for Alberta stakeholders (e.g. communities, airport authorities) in international air treaty negotiations. The federal government is similarly advocating for more liberal air service agreements, with a particular focus on the removal of remaining impediments in the Canada-U.S. 'open skies' agreement.

Action Items:

- The Alberta Government should continue to advocate for official observer status for Alberta stakeholders at air treaty negotiations between Canada and other countries.

- Alberta should continue to advocate for true open skies between Canada and other countries, including fifth freedom rights and all-cargo co-terminalization.

- Alberta should continue to advocate for the inclusion of Canada in a proposed multi-lateral, transatlantic open skies agreement that currently only addresses the interests of the U.S. and the European Union.

- International all-cargo services should be addressed separately, whether under stand-alone bilateral agreements or GATS.

Various fees and charges are imposed on Alberta's aviation users that affect the ability of our airports to compete with airports elsewhere and, in turn, effectively serve the province's growing value-added economy. In 1996, the Alberta Government reduced its tax on aviation fuel from 5.0 cents to 1.5 cents per litre. In February 2004, the Province announced the elimination of the remaining fuel tax on all international flights.

On a number of occasions the Alberta Government has urged the reduction or elimination of various fees and charges. Some of these other charges include the federal excise tax on aviation fuel (4.0 cents per litre), the federal passenger security charge, Nav Canada air navigation charges and higher insurance costs in the aftermath of 9/11.

Action Items:

- Eliminate the remaining Alberta Government tax on domestic aviation fuel.

- Continue to advocate for the reduction or elimination of unreasonable taxes, fees and charges that impose a cost on passengers and shippers and inhibit the ability of Alberta airports to compete effectively in attracting new air service.

When Alberta's two major airports were transferred from federal to local control they were required to make annual rent payments to the federal government. At present, Calgary International and Edmonton International pay $24.9 million and $4.1 million, respectively, and starting in 2006 the amount threatened to more than double at Calgary and increase more than five-fold at Edmonton if existing rent formulas remained in place. This would have imposed a tremendous extra burden on the airports and, in turn, the flying public.

On May 9, 2005, the federal Transport Minister announced proposed changes under which airport rents will be calculated as a percentage of gross revenues. While, under this proposal, rents at Calgary and Edmonton will avoid the huge increases in 2006 that would have previously occurred, over the longer term federal rents will nevertheless continue to rise as gross revenues at the two airports increase.

The Alberta Government has taken an official position that questions the underlying rationale of airport rents and, failing complete elimination, has advocated a more equitable formula for applying airport rents at Calgary and Edmonton. For the future, the Province advocates the transfer of airport ownership to local airport authorities.

Action Item:

- Continue to advocate for the eventual elimination altogether of federal airport rent and the outright transfer of airport ownership to Alberta's local airport authorities.

The tourism sector is made up of a number of important players and the gateway role played by Alberta's airports, particularly Edmonton and Calgary, is critical to the overall success of the industry. Although the Alberta Government already partners with industry and the communities in tourism promotion, it is important that an appropriate share of promotional funding be directed to partnerships with the airports.

The Alberta Strategic Tourism Marketing Council is a cooperative initiative between government and industry that is open to airport membership. It sets tourism promotion priorities and allocates the Province's tourism marketing budget.

Action Item:

- The Alberta Government continue to work with the province's airports in developing partnerships that will direct funding to the promotion of Alberta's tourism development.

Industry Operations

Motor Carrier

By 2013, the AMTA is forecasting $7.0 billion worth of traffic between Alberta and the U.S., which is double the current level. Carriers are looking to larger equipment combinations and new technologies to enhance productivity. Intelligent transportation systems and advanced vehicle communications are being adopted by more firms seeking an edge.

The financial viability of smaller carriers is being challenged by higher wages for drivers and rising costs for fuel, insurance and other inputs. The AMTA has promoted the development of 'reciprocal insurance coverage' to address the self-insured component of a carrier's coverage.

While the Alberta Government has stated its willingness to discuss its support for new insurance initiatives for smaller bus and trucking companies, the concept of initiating a self-insurance program has lost momentum in recent months. There has not been enough industry support and a number of insurance companies have become more forthcoming in writing policies for small carriers.

Significant economies can also be realized by motor carriers through reduced operating speeds. While the Alberta Government has deliberated on the matter of lower speeds, it is concerned that an increased speed limit differential between trucks and automobiles will create a heightened safety hazard.

Action Items:

- Alberta Government continue to monitor the burden of insurance costs in the motor carrier industry, with the AMTA's self-insurance initiative serving as a possible fallback measure.

- Alberta Government continue to weigh the potential for a lower posted speed limit for heavy commercial trucks in terms of operating costs and traffic safety.

Bus

An important operational challenge for the bus sector is to enhance its image and its attractiveness as a passenger alternative. Markets that could be developed include passenger feeder systems to major airports.

The Alberta Government has long supported de-regulation of the transportation industry, including the bus segment. It streamlined inter-city bus service by de-regulating the intra-provincial charter bus industry. It similarly de-regulated the scheduled bus industry while providing for minimum service levels on routes located within the province.

The Province has also made a case for de-regulation of the bus industry across Canada, a position presented to the federal Standing Committee on Transport and Communications. It is working with British Columbia to facilitate ease-of-entry for new bus operations in both provinces.

Action Item:

- The bus industry, using all available means, should intensify its campaign to achieve a more prominent position in a national passenger transportation strategy. The initiative should enunciate a better balance in passenger subsidy programs, particularly for poorly served rural areas; enhanced competition through relaxed and evenly administered regulatory practices; and programs to create greater public awareness of the advantages of motor coach travel.

Warehousing and Logistics

Warehousing and logistics is a rapidly growing sector in Alberta, largely owing to a positive business environment and the province's central geographic location. However, future growth in this sector could be seriously impaired by a shortage of suitably skilled workers and increasingly congested road networks in and around our major urban centres.

The Alberta Government's commitment to ring-road completion at Calgary and Edmonton is addressed in the ***Infrastructure*** section under **Air** (Page 9).

Primarily the responsibility of the municipalities, major urban feeder roads serving industrial areas are also fiscally supported by the Province through various partnership arrangements and the five-cent per litre rebate on the Provincial fuel tax.

On the education front, the emergence of Alberta's major cities as regional distribution hubs has created the need for specialized skills in transportation and logistics. In addition, pressures are being placed on the transportation industry by a rapidly accelerating pattern of retirements. The opportunity to train new employees with high levels of skills has been responded to by a number of institutions and programs.

- Mount Royal College in Calgary offers an Applied Degree in Supply Chain Management.
- NAIT in Edmonton offers a Warehousing Program.
- SAIT in Calgary offers a Rail Signals and Communications Program, in addition to its Railway Conductor Program.
- The Alberta Government is developing a 37-week program in conjunction with the trucking industry to train and certify drivers as professionals.
- The University of Calgary and SAIT have jointly developed a curriculum, which starts with a two-year program in supply chain management and logistics at SAIT that can be laddered into an additional two years at the University of Calgary, leading to a degree in transportation studies.
- Career in Technology Studies is an optional program available for Alberta's secondary schools that contains a stream pertaining to logistics.

Action Items:

- A high priority be assigned to the completion of ring-roads around Calgary and Edmonton as a means of facilitating truck movements to, from and within Alberta's major urban centres.

- A high priority be assigned to the development and maintenance of internal road systems for accessing industrial areas in major urban centers that are commensurate with the needs of a growing warehousing and logistics sector.

- Alberta's secondary and post-secondary teaching institutions continue to be encouraged to develop and expand programs for graduating students with the kind of skills required by Alberta's growing warehousing and logistics sector.

Rail

Rapidly increasing import traffic, creating unprecedented container congestion and compounded by a resurgence in coal traffic, is now driving western rail operations closer to capacity. To meet this challenge, cooperation between Canadian National and Canadian Pacific Railway is effectively consolidating many aspects of western rail operations to maximize track utilization. This cooperation to increase rail productivity has progressed from shared track operations in the Fraser Canyon, to mutual arrangements for run-through trains providing improved Vancouver Port access over either railway's tracks, to new running rights agreements for track sharing through Alberta. In addition to operationally coordinating the influx of import/export traffic within existing track capacity, incremental investment in physical capacity expansion is being addressed with siding and double-track extensions to increase rail productivity with longer trains.

System congestion has become a problem forcing international shippers to take actions that may potentially impact the cost of transportation to and from Alberta. To avoid delayed shipments, international shippers are insisting on immediate solutions that include:

- Diverting eastbound import containers to highway hauls, when necessary, to avoid B.C. port and rail congestion - with higher resulting truck (versus rail) costs for Alberta imports.

- Expediting westbound empty containers to by-pass potential Alberta shippers for quick return into the lucrative, high-value Asian trade - with little incentive to stop in Alberta for lower-value exports which then have to pay higher rates for truck hauls and/or container positioning.

The outlook over the next ten years is reflected in current Alberta rail traffic trends confirming a shift to a value-added economy that still retains a very substantial natural resources sector. Coal, sulphur and grain may remain the market mainstays of bulk trainload transportation, but the growth market in rail is intermodal traffic.

Reconfiguration of the North West Trade Corridor is integrating Peace Region rail service with BC Rail operations transferred to Canadian National. The resulting direct link with Prince Rupert container port development helps build the business case for rail/intermodal access in Northern Alberta. Unlike export traffic more readily available in the immediate commercial area surrounding the Port of Vancouver, Prince Rupert will require a much greater radius, extending well into the Peace Region, to generate the loaded backhauls that can attract container ship calls.

Action **Item:**

- The railways reconsider extending lower cost rail-based container service beyond consolidated intermodal hub terminals at Calgary and Edmonton to help maximize the opportunity to access export containers from rural Alberta.

Air

Owing to its strategic position on the great circle routes, Alberta has the potential to develop as an international distribution platform for cargo destined for points throughout North America. Cargolux already provides freighter service between Calgary and Europe and Asiana Airlines operates service between Calgary and Seoul, Korea. Canada and China have just recently concluded a new bilateral air transport agreement, which provides for expanded cargo and passenger service between the two countries.

The Alberta Government has supported the development of international cargo service through direct intervention with the Canadian Transportation Agency on route applications and elimination of the Province's remaining fuel tax on international flights.

Action Item:

- The Alberta Government and the two major airports should continue to cooperate in developing Alberta as a competitive cargo destination and as a transhipment platform for cargo moving between multiple overseas points and markets throughout North America.

In short-haul markets surface transportation alternatives are normally quite competitive and, indeed, may supplant existing air service. However, on longer routes, like at Northern Alberta communities, surface transport is a less attractive option and air service takes on a much more important role.

It is noteworthy that in the U.S. local government and industry have entered into incentive arrangements with the airlines to 'guarantee' a certain number of seats as a means of achieving a reasonable level of air service at certain smaller communities. Alberta communities lacking air service and convinced of latent demand may wish to consider such incentives.

Action Item:

- Where surface transport does not exist or does not offer an attractive alternative, the airlines should be encouraged by local government and industry to maintain a suitable level of service at smaller Alberta communities, perhaps by applying innovative incentives.

Human Resources

The magnitude of the labour problem facing transportation is easy to underestimate - but the facts are sobering. The transportation workforce is aging rapidly and retirements will surge as the 'baby boom' generation begins to depart the labour force. It has been reported that trucking, bus and warehousing and logistics are the sectors that are most vocal about their human resources challenges.

A key component in addressing the human resources challenge is education and training. In many cases there are traditional avenues for people wishing to enter the transportation workforce. However, just as transportation has undergone the transformation to modern technology, the education sector needs to transform its transportation offerings in step.

The Alberta Joint Learning Initiative is a consortium of education, business and government partners that has been building a learning model to boost the uptake of training in logistics. It has developed a partnership that includes the Calgary Board of Education, Fairview College, NAIT, SAIT and, through the Van Horne Institute, the University of Calgary. The collective vision is to create a continuum for logistics training with a clear commitment to lifelong learning.

Alberta Advanced Education has created a professional development plan for teachers across Alberta for the teaching of secondary school courses in logistics/traffic, transportation/warehousing and distribution/purchasing/inventory management. This program will be delivered in October/November 2005. A career pathways in logistics has been developed and is available through the Alberta Online Consortium (See www.ataoc.ca).

The Transportation Training and Development Association and Red Deer College have initiated a move to have the profession of 'Commercial Driver' officially certified by the Province. This would involve a standardized training program and a competency requirement that would result in improved road safety and attractive career opportunities for young people.

Organizations such as the Calgary Logistics Council have developed tools that graphically illustrate careers in logistics, ranging from manufacturing and retail to transportation, warehousing and distribution (See www.careersinlogistics.ca).

Action Items:

- Alberta Government, with the support and advice of industry, expand its support of the development of the Joint Learning Initiative in secondary schools throughout the province.

The Business Plan for 2005-2008 for the Department of Advanced Education refers to the diversification of the economy as a significant opportunity and challenge.

> Alberta's strong economy continues to diversify and create opportunities. Alberta's future economic strength will depend on supporting the development of a knowledgeable, innovative and highly skilled population. To accomplish this, Albertans must be able to access affordable and high quality learning opportunities.

However, the Business Plan makes no specific reference to the re-institution of Access Funding. University administrations anticipate that funding will be made available for specific course initiatives on a one-off basis.

Action Item:

- Funding for courses in transportation should be re-established by the Alberta Department of Advanced Education.

In the same Business Plan, reference is made to two core functions that form the department's ongoing responsibilities, the second of which is to support learners in achieving their maximum potential. Strategies to carry out this core function include the following:

- Develop strategies to increase participation in learning opportunities by aboriginal, immigrant and other under-represented groups.

- Provide opportunities in local communities for adults, including aboriginal, immigrant and other under-represented groups, to return to learning to meet their personal education and employment goals.

- Enhance the Access Growth Fund (Apprenticeship) to improve participation and achievement in apprenticeship and industry training programs.

The action item below may be seen simply as a matter that concerns local industry and the post-secondary institutions in those localities. However, based on the strategies set out above, there is a significant opportunity for the Alberta Government, with the combined strengths of the ministries referred to, to create a multi-faceted strategy. This strategy would marry the value-added economy strategy of Alberta Economic Development with a program of skills identification and training for residents in rural communities.

Residents who wish to stay in their communities can make a valuable contribution to the life of those communities. If appropriate programs are made available to them in the field of transportation and logistics, those residents would have the opportunity to develop their local economy and utilize their education to facilitate the movement of locally produced goods into the world marketplace.

Action Item:

- Alberta Education and Alberta Advanced Education, in conjunction with Alberta Municipal Affairs, local communities and industry, where applicable, develop a needs assessment for transportation/logistics training in Alberta's rural communities to facilitate the development of such skill training courses.

Funding of transportation research in Alberta currently comes from two sources. The transportation industry and government fund research projects. Specific support for research institutes is provided by the Province through memberships in the Van Horne Institute and the Centre for Transportation Engineering and Planning (C-TEP).
The action item set out below should be the subject of further discussion between government and interested stakeholders in the transportation industry.

Action Item:

- The Alberta Government support a centre of excellence in transportation and related public policy research in Alberta.